

Via Electronic Mail

January 10, 2012

Sharon Gillett Chief, Wireline Competition Bureau Federal Communications Commission 445 12th Street, SW Washington, DC 20554

Re: Results of Lifeline Duplicate In-Depth Data Validations, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109.

Dear Ms. Gillett:

In April 2011, the Federal Communications Commission (FCC or Commission) Office of Managing Director (OMD) directed the Universal Service Administrative Company (USAC) to conduct a series of in-depth data validations (IDVs) to identify subscribers and residential addresses that may be receiving more than one federal Lifeline subsidy (duplicates) in accordance with guidance provided by the Commission. On June 21, 2011, the FCC Wireline Competition Bureau (Bureau) provided further guidance to USAC regarding the process for detecting and resolving duplicate findings. ¹ This letter summarizes the results of the Duplicate IDVs.

Executive Summary

USAC completed Duplicate IDVs in 12 states.² Overall, USAC analyzed more than 3.6 million Lifeline subscriber records. Among these, approximately 269,000 or 7% were duplicates, i.e., subscribers who received Lifeline service from more than one eligible telecommunications carrier (ETC or carrier). These subscribers were notified and were asked to select a single Lifeline provider. The ETC that was not selected as the consumer's Lifeline service provider were required to de-enroll that consumer from Lifeline-discounted service. In total, USAC directed ETCs to de-enroll more than

¹ Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, Federal Communications Commission, to E. Scott Barash, Acting Chief Executive Officer, Universal Service Administrative Company (USAC), DA 11-1082 (Wireline Comp. Bur. June 21, 2011) (*DA 11-1082*).

² The twelve states are Florida, Tennessee, Maryland, Michigan, North Carolina, Wisconsin, West Virginia, Alaska, Arkansas, Louisiana, Ohio and Oklahoma.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 2 of 10

292,000 consumers.³ This action will result in a savings to the federal universal service fund of \$2.9 million per month, or \$35 million annually.

Background and Methodology

The Bureau instructed USAC to analyze subscriber lists obtained from participating ETCs in specific states for certain months and identify instances in which the same subscriber name and address appeared on the subscriber list of two or more ETCs. USAC used Address Management Service (AMS) software, a commercially available product of the United States Postal Service, to standardize and validate addresses provided on the ETC's subscriber lists. Once all addresses had been put through the AMS process, USAC then directly compared all valid records' standardized primary and secondary address, city, state, zip code, and zip+4 code to detect potential duplicate subscribers.

Once duplicate subscribers were identified, USAC sent the lists back to the ETCs in order to provide the carriers an opportunity to eliminate the records of individuals who were no longer subscribers and correct data, as appropriate. USAC then re-analyzed the revised subscriber lists to identify a final list of duplicate subscribers. Records with incomplete names or unrecognized addresses could not be analyzed.

USAC sent customized letters, in English and Spanish, to each duplicate subscriber identified informing the subscriber that he or she had 35 days from the date on the letter to call the toll-free number provided to select a Lifeline service provider. A third-party

⁵ USAC used the United States Postal Service (USPS)'s Address Matching System Application Programming Interface (AMS API). ⁵ After an address was input into AMS API, the program returned the address in a standardized format. In addition, the AMS API included return informational codes, which indicated: whether the address matched USPS records; how many physical addresses were found; how the address was changed to produce the standardized format; whether the address is deliverable; and what information is required, but missing, in order to narrow the number of physical addresses found or to make the address deliverable. The AMS API return codes were then used to determine whether an address should be considered valid for duplicate detection purposes.

³ Some subscribers were identified as receiving more than two Lifeline services which explains why the number of de-enrolled Lifeline subscriptions exceeded the number of letters sent to duplicative subscribers by USAC.

⁴ DA 11-1082.

⁶ DA 11-1082 at 3. ETCs were provided the opportunity to correct invalid data, such as addresses that were not recognized by AMS, and incomplete data, such as one initial in place of a first or last name.

⁷ DA 11-1082 at 4. USAC applied a random allocation methodology to assign a "default" Lifeline provider

DA 11-1082 at 4. USAC applied a random allocation methodology to assign a "default" Lifeline provider to each duplicate subscriber so that the subscriber understood who their provider would be if they chose not to make a selection. The participating ETCs hired 3PV as the vendor for handling consumer telephone calls.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 3 of 10

vendor hired by the ETCs provided the toll-free number and processed the incoming calls from Lifeline subscribers. USAC provided the third-party vendor with a master list indicating the default Lifeline provider assigned to each duplicate subscriber. Approximately ten days after the letters were mailed, USAC sent postcards reminding subscribers of the opportunity to select a Lifeline service provider. The third-party vendor also called those subscribers who had not selected a provider to remind them to make a selection.

At the completion of the 35-day call-in period, the third-party vendor provided USAC with an updated master list indicating the selections made by consumers during the call-in period. USAC then generated de-enrollment lists for each individual ETC that included the subscribers who did not select that carrier (or were not assigned as the default Lifeline provider). ETCs were advised that, consistent with the Commission's rules, they had five days to de-enroll these duplicate subscribers from Lifeline service.⁸

The IDVs were completed in three phases. The states and ETCs included in the IDVs were selected by the Bureau. In general, the ETCs included combined to serve approximately 90% of all Lifeline subscribers in the relevant states as of February 2011.

Phase 1 Results

Phase 1 included carriers in Florida and Tennessee. On April 8, 2011 USAC sent IDV announcement letters to five ETCs providing Lifeline service in Florida¹⁰ and four ETCs in Tennessee.¹¹ In total, 1,135,102 subscriber records were reviewed during Phase 1.¹² The following results are based on the revised data submitted by ETCs:

Florida

USAC analyzed 810,111 Lifeline subscriber records in Florida.

⁸ 47 C.F.R. §54.405(e). *See also, Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link Up*; WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45, Order, FCC 11-97 (rel. June 21, 2011).

⁹ There were two exceptions to this general rule. The Florida IDV was a follow-up to an earlier audit of four companies, but the IDV included a fifth company that was not an ETC in Florida when the audit was conducted. In Alaska, only two ETCs were included because they combined to serve nearly 90% of the Lifeline subscribers in the state.

¹⁰ ETCs included in Florida were TracFone, AT&T, Verizon, Centurylink and Virgin Mobile.

¹¹ ETCs included in Tennessee were TracFone, AT&T, Centurylink and Virgin Mobile.

¹² Phase 1 IDVs were based on subscriber lists from February 2011.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 4 of 10

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Florida Duplicates	810,111	46,448	6%

On August 8, 2011, USAC mailed 46,448 letters to duplicate subscribers in Florida. 13 At the completion of the 35-day call-in period, USAC instructed ETCs in Florida to deenroll 48,139 (6%) Lifeline subscribers. ¹⁴ Based on the Lifeline support rates claimed by the Florida ETCs included in the IDV process, de-enrolling 48,139 subscribers will amount to a monthly savings of \$479,298, or \$5,751,576 per year.

Tennessee

USAC analyzed 324,991 Lifeline subscriber records in Tennessee.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Tennessee Duplicates	324,991	23,365	7%

On July 25, 2011, USAC mailed 23,365 letters to duplicate subscribers in Tennessee. 15 After the 35-day call-in period was complete, USAC instructed ETCs in Tennessee to deenroll 24,144 (7%) Lifeline subscribers. Based on the Lifeline support rates claimed by the Tennessee ETCs included in the IDV process, de-enrolling 24,144 subscribers will amount to a monthly savings of \$238,932, or \$2,867,184 per year.

Phase 2 Results

Phase 2 IDVs reviewed carriers in Maryland, Michigan, North Carolina, West Virginia and Wisconsin. On May 20, 2011, USAC sent IDV announcement letters to twenty

¹³ USAC re-sent 4,275 revised letters on August 13 to correct an error that provided inaccurate information about subscribers' Lifeline accounts in the original letters. USAC mailed the same number of reminder postcards on August 22, 2011.

The number of Lifeline subscriptions that were de-enrolled exceeds the number of subscribers notified

because some individuals were in receipt of more than two Lifeline services.

¹⁵ USAC mailed the same number of reminder postcards on August 4, 2011.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 5 of 10

ETCs providing Lifeline service in these states. ¹⁶ In total, 1,322,233 subscriber records were reviewed in Phase 2. ¹⁷ The following results are based on the revised data submitted by ETCs:

Maryland

USAC reviewed 172,789 Lifeline subscriber records in Maryland.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Maryland Duplicates	172,789	20,061	12%

On September 21, 2011, USAC mailed 20,061 letters to duplicate subscribers. After the 35-day call-in period was complete, USAC instructed ETCs in Maryland to de-enroll 23,533 Lifeline subscribers. Based on the Lifeline support rates claimed by the Maryland ETCs included in the IDV process, de-enrolling 23,533 (14%) subscribers will amount to a monthly savings of \$215,219, or \$2,582,628 per year.

Michigan

USAC reviewed 512,221 Lifeline subscriber records in Michigan.

	Total Subscriber	Number of	Percentage
	Records	Subscribers	
	Reviewed	Receiving	
		Duplicate Service	
Michigan Duplicates	512,221	53,382	10%

On September 26, 2011, USAC mailed 53,382 letters to duplicate subscribers. After the 35-day call-in period was complete, USAC instructed ETCs in Michigan to de-enroll

¹⁶ Phase 2 included the following ETCs (by state): Nexus, TracFone, Verizon and Virgin Mobile (Maryland); AT&T, Nexus, TracFone, Virgin Mobile (Michigan); AT&T, Centurylink, TracFone and Virgin Mobile (North Carolina); Nexus, TracFone, Telrite Corporation and Virgin Mobile (West Virginia); and AT&T, Nexus, Midwestern Telecommunications, Inc. and TracFone (Wisconsin).

¹⁷ Phase 2 IDVs were based on subscriber lists from March 2011.

¹⁸ USAC mailed the same number of reminder postcards on October 3, 2011.

¹⁹ In Maryland, there were 10,201 subscribers who received Lifeline from both an ETC that receives Link Up support and an ETC that does not receive Link Up support.

²⁰ USAC mailed the same number of reminder postcards on October 12, 2011.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 6 of 10

60,791 Lifeline subscribers.²¹ Based on the Lifeline support rates claimed by the Michigan ETCs included in the IDV process, de-enrolling 60,791 (12%) subscribers will amount to a monthly savings of \$536,636, or \$6,439,632 per year.

North Carolina

USAC reviewed 425,328 Lifeline subscriber records in North Carolina.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
North Carolina Duplicates	425,328	44,726	11%

On September 21, 2011, USAC mailed 44,726 letters to duplicate subscribers. After the 35-day call-in period was complete, USAC instructed ETCs in North Carolina to deenroll 46,851 (11%) Lifeline subscribers. Based on the Lifeline support rates claimed by the North Carolina ETCs included in the IDV process, de-enrolling 46,851 subscribers will amount to a monthly savings of \$457,285, or \$5,487,420 per year.

West Virginia

USAC reviewed 69,887 Lifeline subscriber records in West Virginia.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
West Virginia	69,887	4,711	7%
Duplicates			

On September 26, 2011, USAC mailed 4,711 letters to duplicate subscribers.²³ After the 35-day call-in period was complete, USAC instructed ETCs in West Virginia to de-enroll 5,349 (8%) Lifeline subscribers. Based on the Lifeline support rates claimed by the West

²¹ In Michigan, there were 25,055 subscribers who received Lifeline from both an ETC that receives Link Up support and an ETC that does not receive Link Up support.

²²USAC mailed the same number of reminder postcards on October 3, 2011.

²³ USAC mailed the same number of reminder postcards on October 12, 2011.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 7 of 10

Virginia ETCs included in the IDV process, de-enrolling 5,349 subscribers will amount to a monthly savings of \$53,490, or \$641,880 per year.

Wisconsin

USAC reviewed 142,008 Lifeline subscriber records in Wisconsin.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Wisconsin Duplicates	142,008	7,947	6%

On September 26, 2011, USAC mailed 7,947 letters to duplicate subscribers. After the 35-day call-in period was complete, USAC instructed ETCs in Wisconsin to de-enroll 8,501 (6%) Lifeline subscribers. Based on the Lifeline support rates claimed by the Wisconsin ETCs included in the IDV process, de-enrolling 8,501 subscribers will amount to a monthly savings of \$70,023, or \$840,276 per year.

Phase 3 Results

Carriers in Alaska, Arkansas, Louisiana, Ohio and Oklahoma comprise Phase 3. On September 6, 2011, USAC sent IDV announcement letters to 18 ETCs providing Lifeline service in these states.²⁵ In total, 1,226,602 subscriber records were reviewed in Phase 3.²⁶ The following results are based on the revised data submitted by ETCs:

<u>Alaska</u>

USAC reviewed 51,238 Lifeline subscriber records in Alaska.

²⁴ USAC mailed the same number of reminder postcards on October 12, 2011.

²⁵ Phase 3 included the following ETCs (by state): GCI Corporation and Alaska Communications Systems Holdings, Inc. (Alaska); DPI Teleconnect LLC, Nexus, AT&T and Telrite Corporation (Arkansas); DPI Teleconnect LLC, Nexus, TracFone and Virgin Mobile (Louisiana); AT&T, Cincinnati Bell Telephone LLC, Frontier North, Inc., and TracFone (Ohio); AT&T, Cox Oklahoma Telecom LLC, Terracom, Inc., and True Wireless (Oklahoma).

²⁶ Phase 3 IDVs were based on subscriber lists from June 2011.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 8 of 10

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Alaska Duplicates	51,238	262	0.5%

On November 14, 2011, USAC mailed 262 letters to duplicate subscribers. ²⁷ After the 35-day call-in period was complete, USAC instructed ETCs in Alaska to de-enroll 262 (0.5%) Lifeline subscribers. Based on the Lifeline support rates claimed by the Alaska ETCs included in the IDV process, de-enrolling 262 subscribers will amount to a monthly savings of \$9,170, or \$110,040 per year.

Arkansas

USAC reviewed 145,704 Lifeline subscriber records in Arkansas.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Arkansas Duplicates	145,704	8,820	6%

On November 14, 2011, USAC mailed 8,820 letters to duplicate subscribers. After the 35-day call-in period was complete, USAC instructed ETCs in Arkansas to de-enroll 9,853 (7%) Lifeline subscribers. Based on the Lifeline support rates claimed by the Arkansas ETCs included in the IDV process, de-enrolling 9,853 subscribers will amount to a monthly savings of \$86,467, or \$1,037,604 per year.

Louisiana

USAC reviewed 335,661 Lifeline subscriber records in Louisiana.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving	Percentage
		Duplicate Service	
Louisiana Duplicates	335,661	25,919	8%

²⁷ USAC mailed the same number of reminder postcards on November 28, 2011.

²⁸ USAC mailed the same number of reminder postcards on November 28, 2011.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 9 of 10

On November 18, 2011, USAC mailed 25,919 letters to duplicate subscribers. After the 35-day call-in period was complete, USAC instructed ETCs in Louisiana to de-enroll 30,328 (9%) Lifeline subscribers. Based on the Lifeline support rates claimed by the Louisiana ETCs included in the IDV process, de-enrolling 30,328 subscribers will amount to a monthly savings of \$286,790, or \$3,441,360 per year.

Ohio
USAC reviewed 517,211 Lifeline subscriber records in Ohio.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Ohio Duplicates	517,211	26,528	5%

On November 14, 2011, USAC mailed 26,528 letters to duplicate subscribers. After the 35-day call-in period was complete, USAC instructed ETCs in Ohio to de-enroll 26,622 (5%) Lifeline subscribers. Based on the Lifeline support rates claimed by the Ohio ETCs included in the IDV process, de-enrolling 26,622 subscribers will amount to a monthly savings of \$240,962, or \$2,891,544 per year.

Oklahoma

USAC reviewed 176,788 Lifeline subscriber records in Oklahoma.

	Total Subscriber Records Reviewed	Number of Subscribers Receiving Duplicate Service	Percentage
Oklahoma Duplicates	176,788	7,399	4%

On November 18, 2011, USAC mailed 7,399 letters to duplicate subscribers.³² After the 35-day call-in period was complete, USAC instructed ETCs in Oklahoma to de-enroll

²⁹ USAC mailed the same number of reminder postcards on November 28, 2011.

³⁰ In Louisiana, there were 11,643 subscribers who received Lifeline from both an ETC that receives Link Up support and an ETC that does not receive Link Up support.

³¹USAC mailed the same number of reminder postcards on November 28, 2011.

³² USAC mailed the same number of reminder postcards on November 28, 2011.

Sharon Gillett Wireline Competition Bureau January 10, 2012 Page 10 of 10

7,984 (5%) Lifeline subscribers. Based on the Lifeline support rates claimed by the Oklahoma ETCs included in the IDV process, de-enrolling 7,984 subscribers will amount to a monthly savings of \$248,401, or \$2,980,812 per year.

Additional Results

USAC also reviewed ETCs' subscriber lists in order to identify instances in which different individuals receiving Lifeline reside at the same residential address.³³ Of 3.6 million subscriber records reviewed in twelve states, there were approximately 580,000 instances in which two or more subscribers residing at the same address received Lifeline-supported service.

Sincerely,

//s//

Karen Majcher Vice President, USAC High Cost and Low Income Division

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³³ DA 11-1082 at 5.